

**DEPARTMENT OF BUSINESS OVERSIGHT***Ensuring a Fair and Secure Financial Services Marketplace for all Californians***JAN LYNN OWEN****Commissioner of Business Oversight****MEDIA RELEASE****For Immediate Release**

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**State Banks and Credit Unions Warned  
of Illegal Payday Loan Risks**

*SACRAMENTO (October 7, 2013)* – The California Department of Business Oversight (Department) has alerted banks and credit unions of the Department's ongoing efforts to stop illegal unlicensed online payday lending activity and their obligation to identify and report any suspicious activity.

In a letter dated October 7, 2013, Commissioner Jan Lynn Owen directed banks and credit unions licensed by the Department to monitor transactions with any unlicensed lender and immediately report potential violations.

The Department will examine banks and credit unions to ensure safeguards are in place to prevent unlicensed payday lenders from gaining access to the Automated Clearing House (ACH) network. By accepting debit and credit transactions from unlicensed payday lenders through the ACH network, financial institutions are, knowingly or unknowingly, enabling illegal payday loan transactions to occur in California.

"Protecting consumers from illegal online payday lending is a central focus of the Department's enforcement efforts," said Commissioner Owen. "With the recent consolidation of the state's payday lending regulator with the banking and credit union regulator into the Department of Business Oversight, we are now better equipped to protect both borrowers and financial services businesses. We are reaching out to our licensees and stakeholders to try and combat this growing threat to consumers."

Payday loans are transactions in which a borrower writes a check for the amount they need and the lender defers depositing the check until a specific date, for a fee, pursuant to a written agreement. Online payday lending transactions are based on an electronic equivalent, which is transmitted via the ACH network. Online lenders who fail to obtain a license from the Department typically violate laws designed to protect borrowers, such as charging rates higher than allowed under California statute. Additionally, many are based overseas, meaning there is much less legal recourse for unsatisfied customers.

The Department encourages any Californian contemplating a payday loan to verify with the Department that the lender is licensed and in good standing with the State of California. Any borrower who feels they have been the victim of an unlicensed lender should file a complaint with the Department. Complaints can be filed electronically, or complaint forms obtained, at [http://www.dbo.ca.gov/Consumers/consumer\\_services](http://www.dbo.ca.gov/Consumers/consumer_services).

Names of unlicensed lenders that have been the subject of multiple consumer complaints are cited on the Department of Business Oversight website at <http://www.dbo.ca.gov/ENF/Alerts>. The letter from Commissioner Owen to banks and credit unions can be found here:

[http://www.dbo.ca.gov/Resources/licensee\\_resources/Letter to Banks and CUs - Payday.pdf](http://www.dbo.ca.gov/Resources/licensee_resources/Letter_to_Banks_and_CUs_-_Payday.pdf).

*On July 1, 2013, the Department of Corporations and the Department of Financial Institutions merged to become the Department of Business Oversight. California consumers should contact the Department of Business Oversight to check on the licensing and standing of the companies, investments or other financial services they are considering at [www.dbo.ca.gov](http://www.dbo.ca.gov) or at the Department's toll-free Consumer Services Office at 1-866-275-2677.*